



Growth Strategy in Marubeni's Distribution Businesses

December 13, 2017

Marubeni

<Keynote> Growth Strategy in Marubeni's Distribution Businesses

<Speakers>

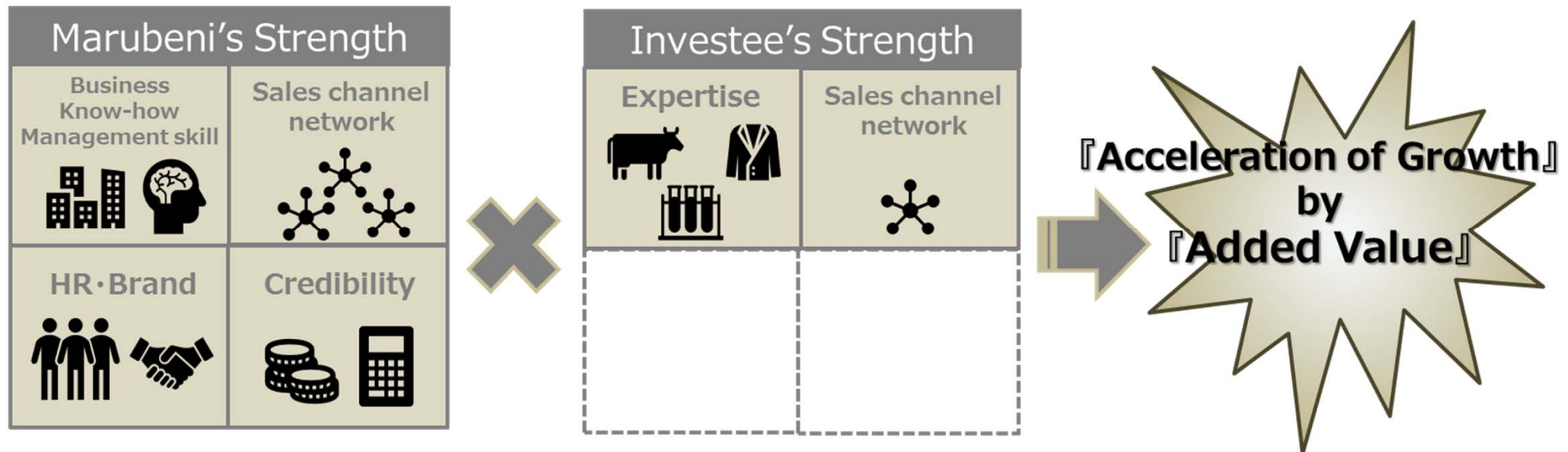
Nobuhiro Yabe	CFO (Managing Executive Officer, Member of the Board, Chairman of Investment and Credit Committee)
Koji Yamazaki	Chief Operating Officer, Food Products Div. (Managing Executive Officer)
Yuichi Ohira	Chief Operating Officer, Lifestyle Div.
Jun Horie	Chief Operating Officer, Chemical Products Div. (Executive Officer)

<Time Table>

• Growth Strategy in Marubeni's Distribution Businesses (CFO)	13:35~13:45	(10min)
• Creekstone (Food Products Div.)	13:45~14:00	} (15min EA)
• Saide (Lifestyle Div.)	14:00~14:15	
• Orffa (Chemical Products Div.)	14:15~14:30	
• QA Session	14:30~15:30	(60min)

Shifting to 'Business Strategy' from 'Investing Strategy'

- To add value through business growths, not through a mere investment
- To examine whether new values could be added from the integration of Marubeni's and an investee's businesses, and whether more values could be created in the investee through Marubeni's participation
- To make businesses grow by controlling the investee's management, governance and cashflow through a majority investment
- To appoint the best management talent to maximize the value of the investee's business



(Ref.) Management Policy by Business Model

【Four Business Models】	Field of Business	Business and Investment Policy	Revised GC2018 New Investment Allocation
D Distribution Businesses	<ul style="list-style-type: none"> • Agri-related businesses • Domestic-demand oriented businesses as value-added distribution (food, chemicals, transport) 	<ul style="list-style-type: none"> • Promote platform-type business models in regions, fields and product areas that are expecting growth through M&A and organic growth to expand earnings and improve profitability over the long term 	<p>Strictly evaluate new investments in strong strategic terms mainly in non-natural resources</p>
F Finance Businesses	<ul style="list-style-type: none"> • Leasing and sales finance businesses (transportation machinery-related, etc.) 	<ul style="list-style-type: none"> • Primarily take majority investment 	
S Stable Earnings-Type Businesses	<ul style="list-style-type: none"> • Infrastructure businesses backed by long-term contracts (IPP with PPAs, water treatment and sewage services and other PPPs) 	<ul style="list-style-type: none"> • As investments in these businesses require large amounts of capital, have a limited upside and high dividend payout ratios, take minority investment stakes • Take active role in projects even when in a minority investment position 	
N Natural Resource Investments	<ul style="list-style-type: none"> • Focus efforts on an early start of production for projects that are already in the process of being implemented • Center on long-term projects with a high level of cost competitiveness for new investments 	<ul style="list-style-type: none"> • As the dividend payout ratio is high and investment amounts are large, make participation as a minority stakeholder in projects with operators that are reliable for investing • Establish a framework to balance the Group's cumulative investment in order to stabilize fluctuating profits at a certain level due to volatile and unstable resource prices 	

(Ref.) New Investments under GC2018

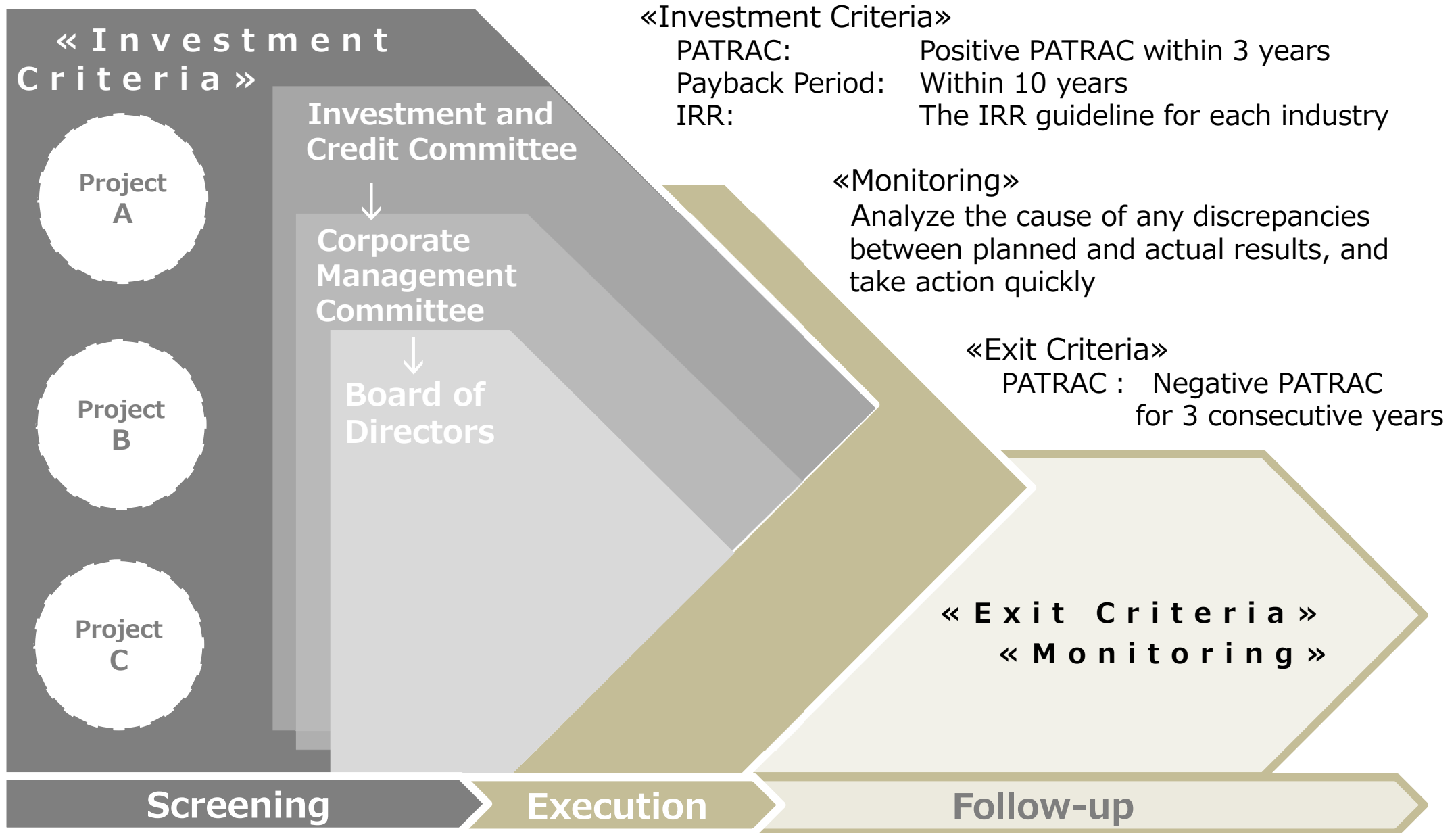
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(billions of yen)

	FYE 3/2017 Yearly	FYE 3/2018 Q1-Q2	GC2018 Total
New Investments	Approx. 110.0	Approx. 65.0	Approx. 175.0
D Distribution Businesses	Approx. 25.0	<u>Approx. 40.0</u>	Approx. 65.0
F Finance Businesses	Approx. 15.0	Approx. 10.0	Approx. 25.0
S Stable Earnings-Type Businesses	Approx. 70.0	Approx. 15.0	Approx. 85.0
N Natural Resource Investments	Approx. 0.0	0.0	Approx. 0.0
GC2018 Total (Revised Plan)	400.0 ~500.0 Strictly evaluate new investments in strong strategic terms mainly in non-natural resources		

(Reference) Procedure for New Investments

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PREMIUM BLACK ANGUS BEEF



Creekstone Farms Premium Beef

Food Products Division
Food & Consumer Products Group

Marubeni

<Company Profile>

- Location : Kansas, U.S.A.
- Established in : 1995
- Business : Beef production and sales in both domestic and export market



<Investment Size>

- Marubeni's Investment Amount : Approx. JPY18.0 B
- Marubeni's Share : 100%

<Profit Size> ※FYE 3/2017 Actual (Company's 100% basis)

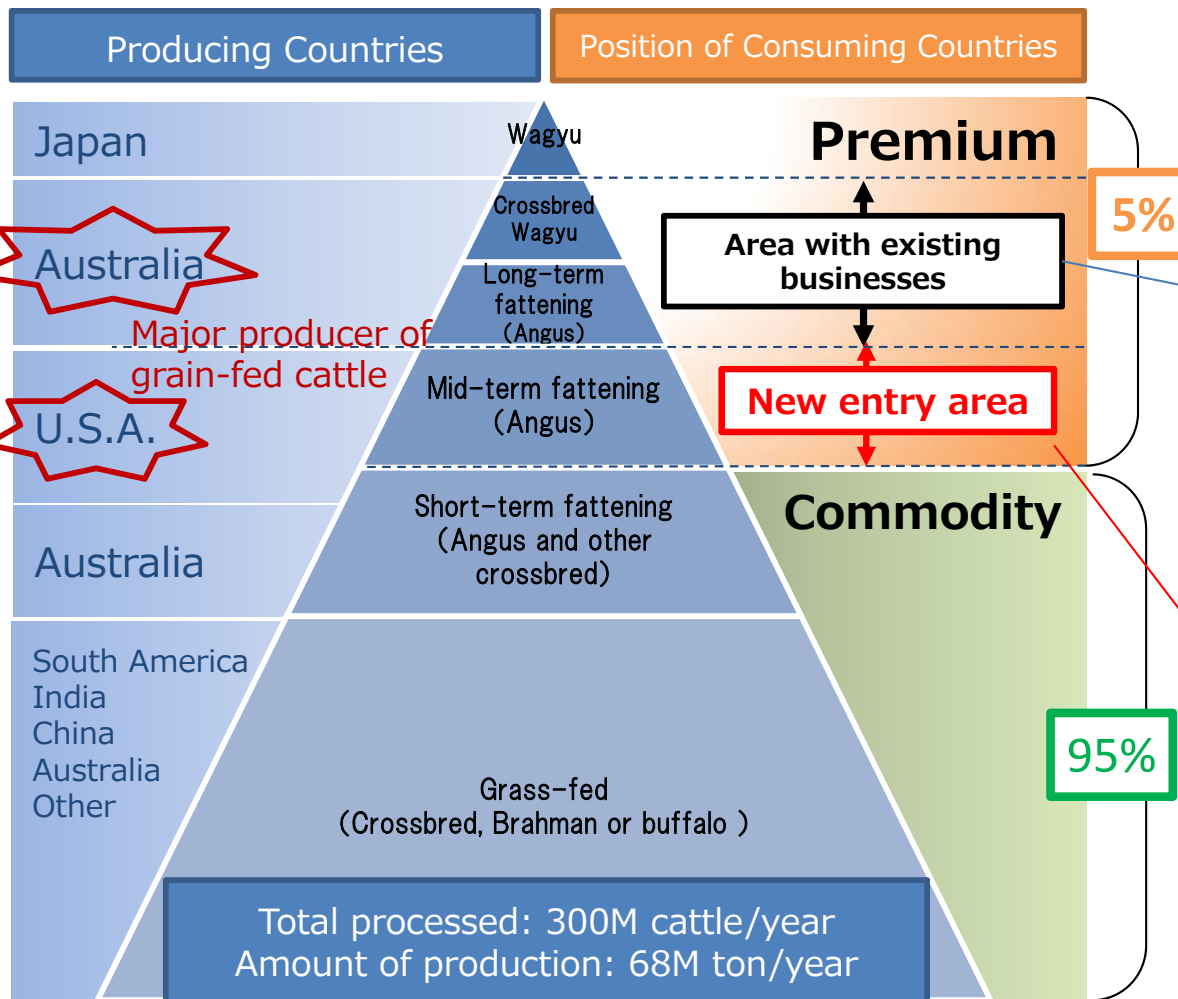
- Sales : Approx. JPY 60.0B (Processed approx. 250,000 cattle, amounting to 61,000 ton)
- Net Profit : Approx. JPY 0.7B (Consolidated in Q2 FYE3/2018)

Surrounding environment and Marubeni's strategy in beef business

Marubeni

Business Environment

- Steadily increasing beef demand due to a rise in income level of emerging countries and such.
- Commoditization of grass-fed cattle and short-term grain-fed cattle.
- Increase in the premium for brand species such as Angus and Wagyu, and high-value-added mid/long-term grain-fed cattle.



Marubeni's strategy in beef business

Strengthening the marketing function by putting our focus on the fattening production and processing of high-value-added beef



Rangers Valley Cattel Station (RV)

Established in: 1972
Sales: approx. JPY 14.0B
Stakeholder: 100% Marubeni
Business: fattening and selling of beef
Feature: Long-term fattening of black Angus, producing specialized in wagyu-crossbreds, sells mainly in Asia

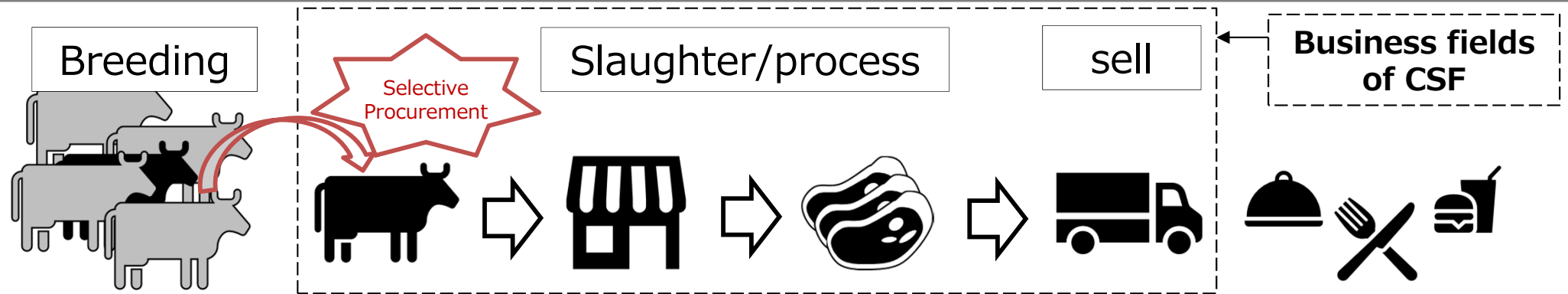


Creekstone Farms (CSF)

Aims to handle 145,000 ton of premium beef by 2020 with U.S.A. and Australia

(Earnings resources & strengths of CSF)

- Implementing high product appeal by supply and process that is specialized in black angus. (Strong network of supply in programmed beef, such as Natural and EU standard, which are non-hormonal and antibiotic-free.)
- Implementing clear distinction from other competing brands by being recognized as the Creekstone brand in the luxury beef business.

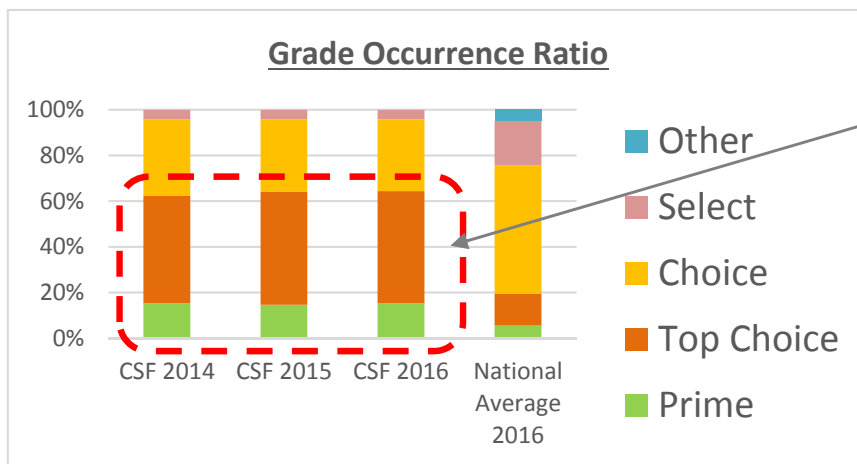


Business feature

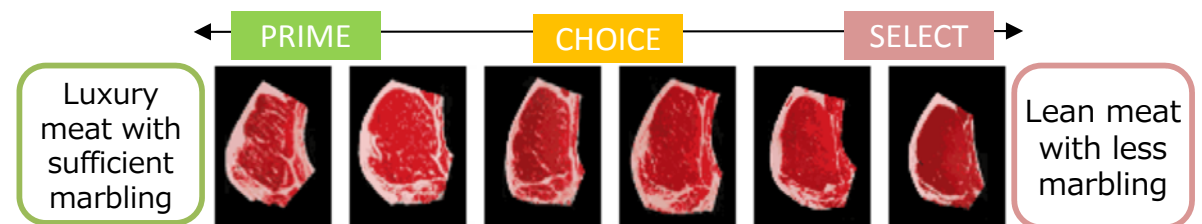
Established a procurement route directly from high-grade farmers instead of a general market

Correspond to customers' needs through advanced processing techniques

Sell mainly to domestic luxury retails as Creekstone brand

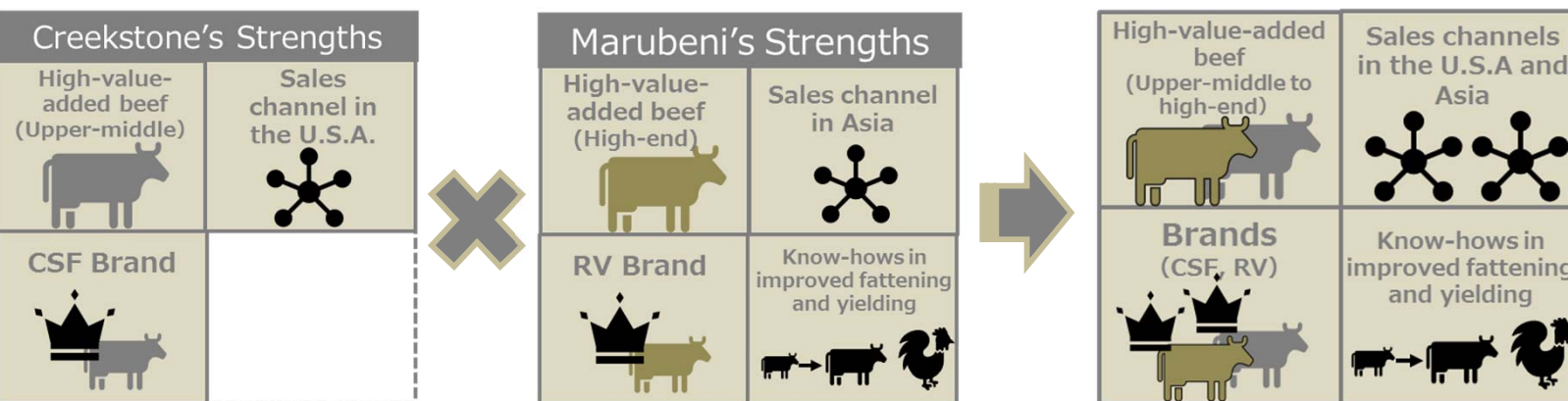
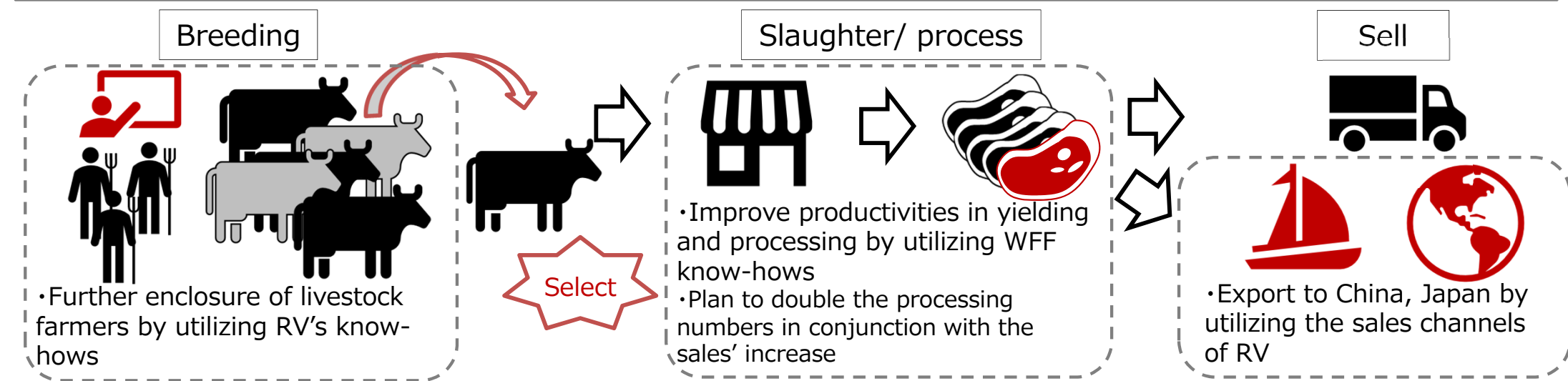


- ✓ The occurrence of Primes are 3 times higher than the national average.
- ✓ Top Choice is also at a high level with stability.



(Value up measures of CSF utilizing Marubeni's strengths)

- **Enclosure of livestock farmers** by utilizing the fattening know-hows cultivated in RV.
- Utilizing the **know-hows of the productivities of yielding and processing** on Japanese broiler business Wellfam Foods (WFF)
- Advantageous sales by utilizing the **sales channels of RV in China, Asia**, in addition to Japan.
- Cooperative industry for Marubeni Group's businesses by advantageous sales of offal, utilizing leather and others.



Target of Value Up Measures

Net Profit Approx. JPY0.7B
FYE3/17
to
FYE3/21 Approx. JPY2.0B



Saide Tekstil Sanayi ve Ticaret Anonim Şirketi

Lifestyle Division
Food & Consumer Products Group

Marubeni

<Company Profile>

- Location: Istanbul, Turkey
- Established in: 1993
- Business: Design led planning, sourcing and sales of apparel and goods
(ODM^{*1}Business for European SPAs^{*2})



^{*1}ODM=Original Design Manufacture

…Integrated operation from development and design to production of products that display the orderer's brand name

^{*2}SPA = specialty store retailer of private label apparel

…Integrated retailer that conducts through planning to manufacturing and sales of products

A business model to minimize the waste of the supply chain by integrating each processes into one stream

<Investment Size>

- Marubeni's Investment Amount : Approx. JPY 9.0B
- Marubeni's Share : 45.5% ※Holding a call option

<Profit Size> ※FYE3/2017 Actual (Company's 100% basis)

- Sales: GBP 153M
- Net Profit: GBP 16M (Consolidated in Q2 FYE 3/2018)

Business Model

Marubeni

Operates ODM business of apparel and goods for European SPAs that are expanding globally. Conducts design led planning and sourcing. Ensures distinctively short delivery period.

(Market environment)

- Global market size is over JPY 100T and it continues to expand with population growth.
(Estimated to be over JPY 160T in 2020)
- Growth ratio of SPAs outperform the market growth.
- Changes in trends from mass production to multi-products.

(Marubeni's strengths)

(i) Production lines enabling mass production and stable supply

Good relationship with partner factories in China and ASEAN. Production line that enables mass production and stable supply of high-quality products backed by Marubeni's production management know-hows and network.

(ii) Sales channel to Japanese SPAs

Long-term sales channel to Japanese SPAs.

(Earnings resources & strengths of Saide)

(i) Information gathering ability



Ambassadors deployed in major cities around the world, to grasp cutting-edge fashion trend in a timely manner

(ii) Planning ability with high sell-through rate



Well-established workflow of design led product planning that matches customer's need with high sell-through rate, backed by cutting-edge information aggregated to the design office in London.

(iii) Production line enabling short delivery period



Business relationship with some 100 material manufacturers and some 80 sewing factories in Turkey boasting a textile industry, which enables a short-time delivery accommodating to sales conditions and a dispersion of risk.

(iv) Strong relationship with European SPAs

With its proven performance to create many hot-selling products every season, Saide has established strong relationship with European SPAs and keeps stable deals with them.

(Image of Saide's business model; current)

London

-Information gathering about cutting-edge fashion from cities around the world

-Planning

Turkey

-Manufacturing of London-designed products at partner factories

-Delivery to European SPAs with short period

Major market of Saide (European SPAs)

(Value up measures)

(i) For European SPAs x Mass Production • Stable Supply

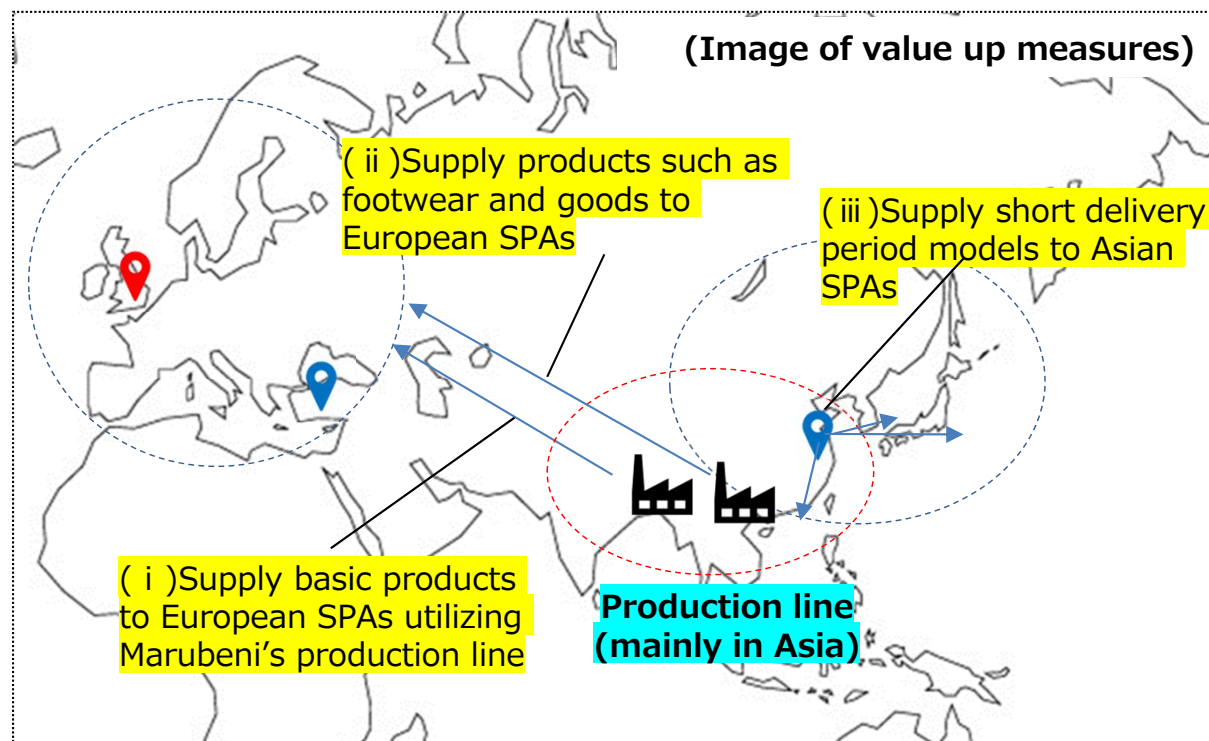
By utilizing Marubeni's production line, stably supplying mass-produced basic items to Saide's sales channel

(ii) For European SPAs x Product Mix

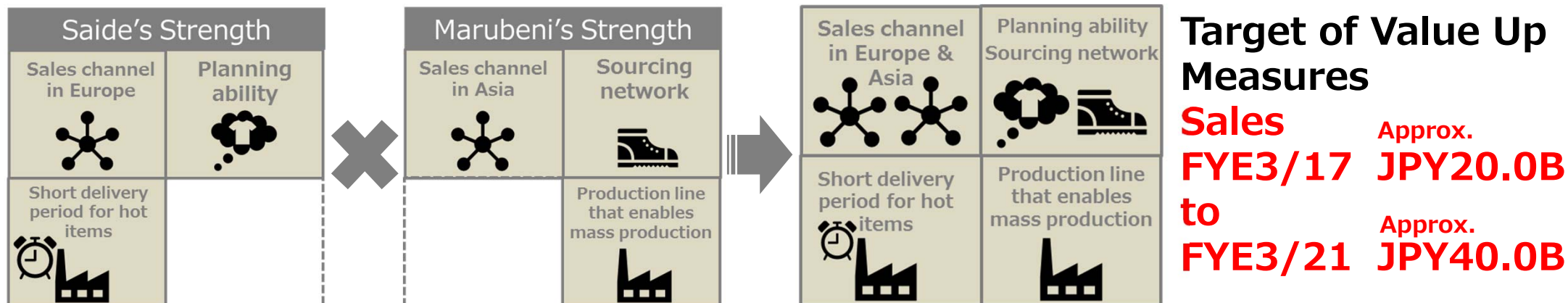
Supplying Marubeni's commercial items such as footwears and goods to Saide's sales channel

(iii) For Asian SPAs x Short Delivery Period Models

Establishing a short delivery period model in Asia to add it to Marubeni's sales channel to meet the clients' needs, and offering it to Asian SPAs



→To enhance business value by sharing Saide's and Marubeni's own expertise and providing them to the existing customers of both





Orffa International

Chemical Products Division
Chemical & Forest Products Group

Marubeni

<Company Profile>

- Location : Netherlands
- Established in : 1967
- Business : Sales of feed additives*

* Chemical agent and nutritional ingredients that are added and mixed for the purpose of preventing feed quality deterioration and supplementing nutrients.



<Investment Size>

- Marubeni's Share : 60%

<Profit Size> ※FYE3/2017 Actual (Company's 100% basis)

- Sales : EUR 217M
- Net Profit : EUR 9M (Consolidated in Q2 FYE 3/2018)

Orffa sells feed additives, including Japanese manufacturers' products, to 800 customers, mainly in European market. Also, Orffa is developing value-added original products by having the collaboration with various universities and R&D institutions in Europe, the most sophisticated region in terms of animal husbandry.

(Earnings resources & strengths of Orffa)

(i) Strong network with costomer

Orffa has 800 customers, mainly in Europe. They have built the customer network with high royalty, by providing technical advice and market information.

(iii) Price competitiveness and steady procurement ability

Orffa has prominent price competitiveness, and steady procurement ability, on basis of high market share, as one of the top players in Europe.

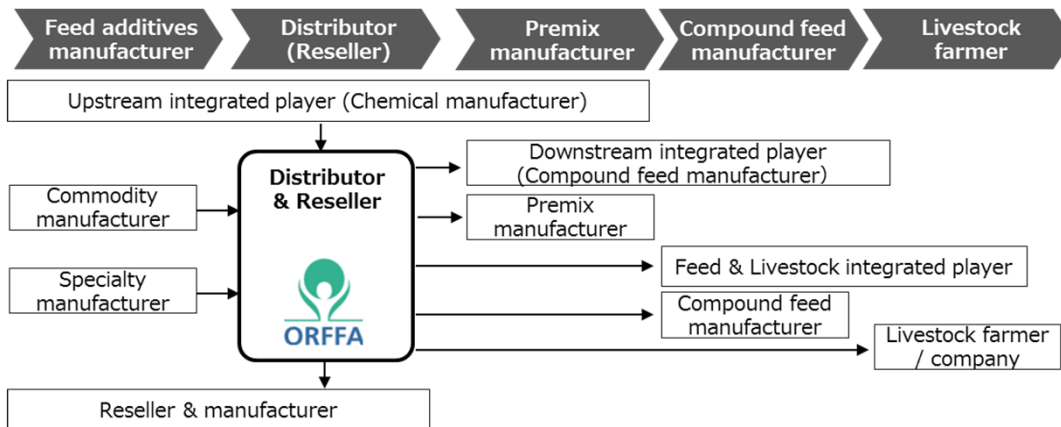
(ii) Full line-up products

Orffa's full line-up products from commodity to high-performance products enable to meet various customers' needs. Furthermore, they provide the support for registrations of new ingredients.

(iv) Product development

The technical marketing staffs of Orffa catch up customers' needs, so that they develop new products with leading universities and R&D institute in Europe, the most sophisticated region in terms of animal husbandry.

✓ Supply-chain of feed additives



(Marubeni's strengths)

- Sales locations around the world
- Various business and subsidiaries related to agriculture and animal husbandry industry

✓ Universities and R&D institutions which Orffa cooperates with



Further global expansion of European-standard* feed additives by utilizing Marubeni's sales network.

*European-standard: sophisticated standard of environment-friendly feed additives, eliminating antibiotics and hormones

(Value up measures)

(i) Utilizing Marubeni's global network

Orffa will expand their business further outside Europe by utilizing Marubeni's global network.

(iii) Expanding Orffa's locations

Marubeni will support to expand Orffa's global locations & stock points especially in the strategically important region.

(v) Realizing business with Marubeni's existing clients

Marubeni's customer base across the animal husbandry will provide an uptake of new businesses opportunities and will solidify customer relations and services.

(ii) Utilizing Marubeni's subsidiaries

Marubeni has various subsidiaries related to agriculture and animal husbandry industry such as Gavilon, Marubeni Nisshin Feed and Rangers Valley.

(iv) Expanding product line-up

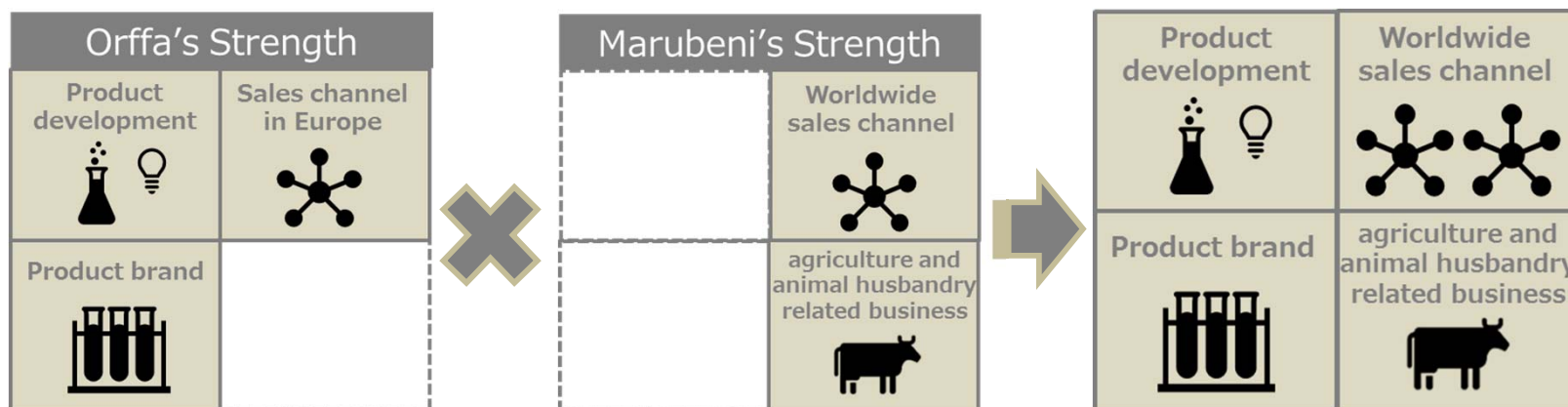
Utilizing the advantage of having headquarter and research locations in Europe, Orffa will accelerate the product development by further tie-ups with the leading universities and research institutions in Europe.

(vi) Strengthening sales organization

Orffa will build a structure to expand further outside Europe by increasing the number of employees(currently 100 employees) and strengthening the technical marketing team.

Current: Orffa mainly sells to Europe

⇒ Future: Orffa expands outside Europe utilizing Marubeni's network



Target of Value Up Measures

Sales Approx. JPY30B
FYE3/17
to
FYE3/21 Approx. JPY40B

DISCLAIMER REGARDING FORWARD-LOOKING STATEMENTS

The description about future, such as prospects of financial results, is based upon available information and assumption, at the announcement date. Actual results might be influenced by various factors in the future.

This document is an English translation of materials originally prepared in Japanese. The Japanese original shall be considered the primary version.